

✓ FEDERAL CROP INSURANCE ACT, AS AMENDED,

Through

August 25, 1949 X

UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION
Washington, D. C.

124733

FEDERAL CROP INSURANCE ACT, AS AMENDED

Note: The Federal Crop Insurance Act (52 Stat. 72), approved February 16, 1938, has been amended as follows: June 22, 1938, by 52 Stat. 835; June 21, 1941, by 55 Stat. 255; December 23, 1944, by 58 Stat. 918; August 1, 1947, by 61 Stat. 718; and on August 25, 1949, by Public Law 268, 81st Congress.7

Short Title and Application of Other Provisions

Sec. 501. This title may be cited as the "Federal Crop Insurance Act." Except as otherwise expressly provided the provisions in titles I to IV, inclusive, shall not apply with respect to this title, and the term "Act" wherever it appears in such titles shall not be construed to include this title. 1/ (7 U.S.C. 1501)

Declaration of Purpose

Sec. 502. It is the purpose of this title to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance and providing the means for the research and experience helpful in devising and establishing such insurance. (7 U.S.C. 1502)

Sec. 503. To carry out the purposes of this title, there is hereby created as an agency of and within the Department of Agriculture a body corporate with the name "Federal Crop Insurance Corporation" (herein called the Corporation). The principal office of the Corporation shall be located in the District of Columbia, but there may be established agencies or branch offices elsewhere in the United States under rules and regulations prescribed by the Board of Directors. (7 U.S.C. 1503)

Capital Stock

Sec. 504 (a). The Corporation shall have a capital stock of \$100,000,000 subscribed by the United States of America, payment for which shall, with the approval of the Secretary of Agriculture, be subject to call in whole or in part by the Board of Directors of the Corporation. (7 U.S.C. 1504 (a)) *

(b) There is hereby authorized to be appropriated such sums as are necessary for the purpose of subscribing to the capital stock of the Corporation. (7 U.S.C. 1504 (b)) *

1/ The Federal Crop Insurance Act is title V of the Agricultural Adjustment Act of 1938. (52 Stat. 31)

* Sections followed by * changed on August 25, 1949, by Public Law 268, 81st Congress.

(c) Receipts for payments by the United States of America for or on account of such stock shall be issued by the Corporation to the Secretary of the Treasury and shall be evidence of the stock ownership by the United States of America. (7 U.S.C. 1504(c))

Management of Corporation

Sec. 505. (a) The management of the Corporation shall be vested in a Board of Directors (hereinafter called the "Board") subject to the general supervision of the Secretary of Agriculture. The Board shall consist of the manager of the Corporation, two other persons employed in the Department of Agriculture, and two persons experienced in the insurance business who are not otherwise employed by the Government. The Board shall be appointed by, and hold office at the pleasure of the Secretary of Agriculture, who shall not, himself, be a member of the Board. (7 U.S.C. 1505(a))

(b) Vacancies in the Board so long as there shall be three members in office shall not impair the powers of the Board to execute the functions of the Corporation, and three of the members in office shall constitute a quorum for the transaction of the business of the Board. (7 U.S.C. 1505(b))

(c) The Directors of the Corporation who are employed in the Department of Agriculture shall receive no additional compensation for their services as such Directors but may be allowed necessary traveling and subsistence expenses when engaged in business of the Corporation, outside of the District of Columbia. The members of the Board who are not employed by the Government shall be paid such compensation for their services as directors as the Secretary of Agriculture shall determine, but such compensation shall not exceed \$50 per day each when actually employed and transportation expenses plus not to exceed \$10 per diem in lieu of subsistence expenses when on business of the Corporation away from their homes or regular places of business. (7 U.S.C. 1505(c))*

(d) The manager of the Corporation shall be its chief executive officer, with such power and authority as may be conferred upon him by the Board. He shall be appointed by, and hold office at the pleasure of, the Secretary of Agriculture. (7 U.S.C. 1505(d))

General Powers

Sec. 506. The Corporation --

(a) shall have succession in its corporate name; (7 U.S.C. 1506(a))

(b) may adopt, alter, and use a corporate seal, which shall be judicially noticed; (7 U.S.C. 1506(b))

(c) may make contracts and purchase or lease and hold such real and personal property as it deems necessary or convenient in the transaction of its business, and may dispose of such property held by it upon such terms as it deems appropriate; (7 U.S.C. 1506(c))

(d) subject to the provisions of section 508(c), may sue and be sued in its corporate name in any court of record of a State having general jurisdiction, or in any United States district court, and jurisdiction is hereby conferred upon such district court to determine such controversies without regard to the amount in controversy: Provided, That no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against the Corporation or its property; (7 U.S.C. 1506(d))

(e) may adopt, amend, and repeal by-laws, rules, and regulations governing the manner in which its business may be conducted and the powers granted to it by law may be exercised and enjoyed; (7 U.S.C. 1506(e))

(f) shall be entitled to the free use of the United States mails in the same manner as the other executive agencies of the Government; (7 U.S.C. 1506(f))

(g) with the consent of any board, commission, independent establishment, or executive department of the Government, including any field service thereof, may avail itself of the use of information, services, facilities, officials, and employees thereof in carrying out the provisions of this title; (7 U.S.C. 1506(g))

(h) may conduct researches, surveys, and investigations relating to crop insurance and shall assemble data for the purpose of establishing sound actuarial bases for insurance on agricultural commodities; (7 U.S.C. 1506(h))*

(i) shall determine the character and necessity for its expenditures under this title and the manner in which they shall be incurred, allowed, and paid, without regard to the provisions of any other laws governing the expenditure of public funds and such determinations shall be final and conclusive upon all other officers of the Government; and (7 U.S.C. 1506(i))

(j) shall have such powers as may be necessary or appropriate for the exercise of the powers herein specifically conferred upon the Corporation and all such incidental powers as are customary in corporations generally. (7 U.S.C. 1506(j))

Personnel

Sec. 507 (a) The Secretary shall appoint such officers and employees as may be necessary for the transaction of the business of the Corporation pursuant to civil-service laws and regulations, fix their compensation in accordance with the provisions of the Classification Act of 1923, as amended, define their authority and duties, delegate to them such of the powers vested in the Corporation as he may determine, require bond of such of them as he may designate, and fix the penalties and pay the premiums of such bonds: Provided, That personnel paid by the hour, day, or month when actually employed, and county crop insurance committee-men may be appointed and their compensation fixed without regard to civil-service laws and regulations or the Classification Act of 1923, as amended. (7 U.S.C. 1507(a))*

(b) Insofar as applicable, the benefits of the Act entitled "An Act to provide compensation for employees of the United States suffering injuries while in the performance of their duties, and for other purposes", approved September 7, 1916, as amended, shall extend to persons given employment under the provisions of this title, including the employees of the committees and associations referred to in subsection (c) of this section and the members of such committees. (7 U.S.C. 1507(b))

(c) The Board may establish or utilize committees or associations of producers in the administration of this title and make payments to such committees or associations to cover the estimated administrative expenses to be incurred by them in cooperating in carrying out this title and may provide that all or part of such estimated expenses may be included in the insurance premiums provided for in this title. (7 U.S.C. 1507(c))

(d) The Secretary of Agriculture may allot to bureaus and offices of the Department of Agriculture or transfer to such other agencies of the State and Federal Governments as he may request to assist in carrying out this title any funds made available pursuant to the provisions of section 516 of this Act, except that employees or agencies responsible for administering this Act in each county shall be selected and designated by the Corporation and shall be responsible directly to the Corporation without the intervention of any intermediate office or agency. (7 U.S.C. 1507(d))

Crop Insurance

Sec. 508. To carry out the purposes of this title the Corporation is authorized and empowered --

(a) Commencing with crops planted for harvest in 1948, for the purpose of determining the most practical plan, terms, and conditions of insurance for agricultural commodities, if sufficient actuarial data are available, as determined by the Board, to insure, or to reinsure insurers of, producers of such agricultural commodities under any plan or plans of insurance determined by the Board to be adapted to any such commodity. Such insurance shall be against loss of the insured commodity due to unavoidable causes, including drought, flood, hail, wind, frost, winterkill, lightning, fire, excessive rain, snow, wildlife, hurricane, tornado, insect infestation, plant disease, and such other unavoidable causes as may be determined by the Board: Provided, That, except in the case of tobacco, such insurance shall not extend beyond the period the insured commodity is in the field. In 1948 insurance shall be limited to not more than seven agricultural commodities (including wheat, cotton, flax, corn, and tobacco) and to not more than three additional agricultural commodities in each year thereafter: Provided, That other agricultural commodities may be included in multiple crop insurance (insurance on two or more agricultural commodities under one contract with a producer). Insurance shall be limited to producers in not to exceed two hundred counties in the case of wheat, fifty-six counties in the case of cotton, fifty counties each in the case of corn and flax, thirty-five counties in the case of tobacco, twenty counties in the case of any other agricultural commodity, and, in addition, fifty counties in the case of multiple crop insurance: Provided, That, beginning with crops planted for harvest in 1950, and continuing through the crops planted for harvest in 1951, 1952, and 1953, the number of counties for insurance on wheat, cotton, corn, flax, and tobacco, and for multiple crop insurance may be increased each year by not in excess of 50 per centum of the number of counties specified above and the county limitations specified for other insurance may be similarly increased as to any agricultural commodity after insurance for such commodity has been provided for three years. Reinsurance for private insurance companies shall be limited to not to exceed twenty counties which may be selected without regard to the other county limitations specified herein. Any insurance offered against loss in yield shall not cover in excess of 75 per centum of the recorded or appraised average yield of the commodity on the insured farm for a representative period subject to such adjustments as the Board may prescribe to the end that the average yields fixed for farms in the same area, which are subject to the same conditions, may be fair and just: Provided, That if 75 per centum of the average yield represents generally

more protection than the investment in the crop in any area, taking into consideration recognized farming practices, the Board shall reduce such maximum percentage so as more nearly to reflect the investment in the crop in such area. Insurance provided under this subsection shall not cover losses due to the neglect or malfeasance of the producer, or to the failure of the producer to reseed to the same crop in areas and under circumstances where it is customary to so reseed, or to the failure of the producer to follow established good farming practices. Counties selected by the Board shall be representative of the several areas where the agricultural commodity insured is normally produced. The Board may limit or refuse insurance in any county or area, or on any farm, on the basis of the insurance risk involved. Insurance shall not be provided in any county unless written applications therefor are filed covering at least two hundred farms or one-third of the farms normally producing the agricultural commodity, excluding farms refused insurance on the basis of the risk involved; nor shall insurance on any agricultural commodity be provided in any county in which the Board determines that the income from such commodity constitutes an unimportant part of the total agricultural income of the county. The Corporation shall report annually to the Congress the results of its operations as to each commodity insured. (7 U.S.C. 1508(a))*

(b) To fix adequate premiums for insurance in the agricultural commodity or in cash, at such rates as the Board deems sufficient to cover claims for crop losses on such insurance and to establish as expeditiously as possible a reasonable reserve against unforeseen losses: Provided, That such premiums may be established on the basis of the parity or comparable price for the commodity as determined and published by the Secretary of Agriculture, or on the basis of an average market price designated by the Board. Such premiums shall be collected at such time or times, or shall be secured in such manner, as the Board may determine. (7 U.S.C. 1508(b))*

(c) To adjust and pay claims for losses in the agricultural commodity or in cash, under rules prescribed by the Board: Provided, That indemnities may be determined on the same price basis as premiums are determined for the crop with respect to which such indemnities are paid. The Corporation shall provide for the posting annually in each county at the county courthouse of a list of indemnities paid for losses on farms in such county. In the event that any claim for indemnity under the provisions of this title is denied by the Corporation, an action on such claim may be brought against the Corporation in the United States district court, or in any court of record of the State having general jurisdiction, sitting in the district or county in which the insured farm is located, and jurisdiction is hereby conferred upon such district courts to determine such controversies without regard to the amount in controversy: Provided, That

no suit on such claim shall be allowed under this section unless the same shall have been brought within one year after the date when notice of denial of the claim is mailed to and received by the claimant. (7 U.S.C. 1508(c))*

(d) From time to time, in such manner and through such agencies as the Board may determine, to purchase, handle, store, insure, provide storage facilities for, and sell the agricultural commodity, and pay any expenses incidental thereto, it being the intent of this provision, however, that, insofar as practicable, the Corporation shall purchase the agricultural commodity only at the rate and to a total amount equal to the payment of premiums in cash by farmers or to replace promptly the agricultural commodity sold to prevent deterioration; and shall sell the agricultural commodity only to the extent necessary to cover payments of indemnities and to prevent deterioration: Provided, however, That nothing in this section shall prevent prompt off-set purchases and sales of the agricultural commodity for convenience in handling. Nothing in this section shall prevent the Corporation from accepting, for the payment of premiums, notes payable in the commodity insured, or the cash equivalent, upon such security as may be determined pursuant to subsection (b) of this section, and from purchasing the quantity of the commodity represented by any of such notes not paid at maturity. The restriction on the purchase and sale of the agricultural commodity provided in this section shall be made a part of any crop insurance agreement made under this title. Notwithstanding any provision of this title, there shall be no limitation upon the legal or equitable remedies available to the insured to enforce against the Corporation the foregoing restriction with respect to purchases and sales of the agricultural commodity. (7 U.S.C. 1508(d))

(e) In connection with insurance upon yields of cotton, to include provision for additional premium and indemnity in terms of lint cotton to cover loss of cottonseed, such additional premium and indemnity to be determined on the basis of the average relationship between returns from cottonseed and returns from lint cotton for the same period of years as that used for computing yields and premium rates. (7 U.S.C. 1508(e))

Indemnities Exempt from Levy

Sec. 509. Claims for indemnities under this title shall not be liable to attachment, levy, garnishment, or any other legal process before payment to the insured or to deduction on account of the indebtedness of the insured or his estate to the United States except claims of the United States or the Corporation arising under this title. (7 U.S.C. 1509)

Deposit of Funds

Sec. 510. All money of the Corporation not otherwise employed may be deposited with the Treasurer of the United States or in any bank approved by the Secretary of the Treasury, subject to withdrawal by the Corporation

at any time, or with the approval of the Secretary of the Treasury may be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States. Subject to the approval of the Secretary of the Treasury, the Federal Reserve banks are hereby authorized and directed to act as depositories, custodians, and fiscal agents for the Corporation in the performance of its powers conferred by this title. (7 U.S.C. 1510)

Tax Exemption

Sec. 511. The Corporation, including its franchise, its capital, reserves, and surplus, and its income and property, shall be exempt from all taxation now or hereafter imposed by the United States or by any Territory, dependency, or possession thereof, or by any State, county, municipality or local taxing authority. (7 U.S.C. 1511)

Fiscal Agent of Government

Sec. 512. When designated for that purpose by the Secretary of the Treasury, the Corporation shall be a depository of public money, except receipts from customs, under such regulations as may be prescribed by said Secretary; and it may also be employed as a financial agent of the Government; and it shall perform all such reasonable duties, as a depository of public money and financial agent of the Government, as may be required of it. (7 U.S.C. 1512)

Accounting by Corporation

Sec. 513. The Corporation shall at all times maintain complete and accurate books of account and shall file annually with the Secretary of Agriculture a complete report as to the business of the Corporation. The financial transactions of the Corporation shall be audited at least once each year by the General Accounting Office for the sole purpose of making a report to Congress, together with such recommendations as the Comptroller General of the United States may deem advisable: Provided, That such report shall not be made until the Corporation shall have had reasonable opportunity to examine the exceptions and criticisms of the Comptroller General or the General Accounting Office, to point out errors therein, explain or answer the same, and to file a statement which shall be submitted by the Comptroller General with his report. (7 U.S.C. 1513)

Crimes and Offenses

Sec. 514. (a)-(e). 2/

(f) The provisions of section 22 of Title 41 shall not apply to any crop insurance agreements made under this chapter. 2/ 3/
(7 U.S.C. 1514(f))

Advisory Committee

Sec. 515. The Secretary of Agriculture is authorized to appoint from time to time an advisory committee, consisting of not more than five members experienced in agricultural pursuits and appointed with due consideration to their geographical distribution, to advise the Corporation with respect to carrying out the purposes of this title. The compensation of the members of such committee shall be determined by the Board but shall not exceed \$10 per day each while actually employed and actual necessary traveling and subsistence expenses, or a per diem allowance in lieu thereof. (7 U.S.C. 1515)

Appropriations and Regulations

Sec. 516. (a) There are hereby authorized to be appropriated such sums, not in excess of \$12,000,000 for each fiscal year beginning after June 30, 1938, as may be necessary to cover the operating and administrative costs of the Corporation, which shall be allotted to the Corporation in such amounts and at such time or times as the Secretary of Agriculture may determine: Provided, That expenses in connection with the purchase, transportation, handling, or sale of the agricultural commodity may be considered by the Corporation as being nonadministrative or nonoperating expenses. For the fiscal year ending June 30, 1939, the appropriation authorized under this subsection is authorized to be made only out of the unexpended balances for the fiscal year ending June 30, 1938, of the sums appropriated pursuant to section 15 of the Soil Conservation and Domestic Allotment Act, as amended. (7 U.S.C. 1516(a))

2/ (a)-(e) inclusive repealed and (f) amended to read as above quoted by 62 Stat. 859, 862 effective September 1, 1948. See appendix for current criminal provisions.

3/ Section 22 of Title 41 (41 U.S.C. 22) requires that Government contracts contain an express provision stating that no member of Congress shall share in benefits of contract.

(b) The Secretary and the Corporation, respectively, are authorized to issue such regulations as may be necessary to carry out the provisions of this title. (7 U.S.C. 1516(b))

Separability

Sec. 517. The sections of this title and subdivisions of sections are hereby declared to be separable, and in the event any one or more sections or parts of the same of this title be held to be unconstitutional, the same shall not affect the validity of other sections or parts of sections of this title. (7 U.S.C. 1517)

Sec. 518. "Agricultural commodity", as used in this title, means wheat, cotton, flax, corn, dry beans, oats, barley, rye, tobacco, rice, peanuts, soybeans, sugar beets, sugarcane, timber and forests, potatoes and other vegetables, citrus and other fruits, tame hay, or any other agricultural commodity determined by the Board pursuant to subsection (a) of section 508 of this title, or any one or more of such commodities, as the context may indicate. (7 U.S.C. 1518)*

Right to Amend

Sec. 519. The right to alter, amend, or repeal this title is hereby reserved. (7 U.S.C. 1519) 4/

4/ Public Law 268 of August 25, 1949, 81st Congress, contains two sections not quoted herein. They are sections 5 and 11. Section 5 directs the Secretary of the Treasury to cancel outstanding receipts for payments on stock of the Corporation in excess of \$27,000,000. Section 11 authorizes the Corporation to use any available funds to institute the authorized expanded program in the 1950 crop year, pending the appropriation of supplemental funds. Section 5 of Public Law 320 of August 1, 1947, 80th Congress (61 Stat. 718), provides that nothing in that law shall be construed to affect the validity of insurance contracts in existence on the date of its enactment and terminates any such contract, as of the end of the 1947 crop year, purporting to cover a 1948 crop in a county in which insurance was discontinued pursuant to the provisions of Public Law 320.

APPENDIX

Criminal Provisions

Whoever, being an officer, agent or employee of or connected in any capacity with the Reconstruction Finance Corporation, Federal Deposit Insurance Corporation, Home Owners' Loan Corporation, Farm Credit Administration, Federal Housing Administration, Federal Farm Mortgage Corporation, Federal Crop Insurance Corporation, Farmers' Home Corporation or any land bank, intermediate credit bank, bank for cooperatives or any lending, mortgage, insurance, credit or savings and loan corporation or association authorized or acting under the laws of the United States, and whoever, being a receiver of any such institution, or agent or employee of the receiver, embezzles, abstracts, purloins or willfully misapplies any moneys, funds, credits, securities or other things of value belonging to such institution, or pledged or otherwise intrusted to its care, shall be fined not more than \$5,000 or imprisoned not more than five years, or both; but if the amount or value embezzled, abstracted, purloined or misapplied does not exceed \$100, he shall be fined not more than \$1,000 or imprisoned not more than one year, or both. (18 U.S.C. 657)

Whoever, with intent to defraud, knowingly conceals, removes, disposes of, or converts, to his own use or to that of another, any property mortgaged or pledged to, or held by, the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, Federal Crop Insurance Corporation, Farmers' Home Corporation, or any production credit corporation or corporation in which a production credit corporation holds stock, any regional agricultural credit corporation, or any bank for cooperatives, shall be fined not more than \$5,000 or imprisoned not more than five years, or both; but if the value of such property does not exceed \$100, he shall be fined not more than \$1,000 or imprisoned not more than one year, or both. (18 U.S.C. 658)

Whoever, being an officer, agent or employee of or connected in any capacity with the Reconstruction Finance Corporation, Federal Deposit Insurance Corporation, Home Owners' Loan Corporation, Farm Credit Administration, Federal Housing Administration, Federal Farm Mortgage Corporation, Federal Crop Insurance Corporation, Farmers' Home Corporation, or any land bank, intermediate credit bank, bank for cooperatives or any lending, mortgage, insurance, credit or savings and loan corporation or association authorized or acting under the laws of the United States, with intent to defraud any such institution or any other company, body politic or corporate, or any individual, or to deceive any officer, auditor, examiner or agent of any such institution or of department or agency of the United States, makes any false entry in any book, report or statement of or to any such institution, or without being duly authorized, draws any order or bill of exchange, makes any acceptance, or issues, puts forth or assigns any note, debenture, bond or other obligation, or draft, bill

of exchange, mortgage, judgment, or decree, or with intent to defraud the United States or any agency thereof, or any corporation, institution, or association referred to in this section, participates or shares in or receives directly or indirectly any money, profit, property, or benefits through any transaction, loan, commission, contract, or any other act of any such corporation, institution, or association, shall be fined not more than \$10,000 or imprisoned not more than five years, or both. (18 U.S.C. 1006)

Whoever knowingly makes any false statement or report, or willfully overvalues any land, property or security, for the purpose of influencing in any way the action of the Reconstruction Finance Corporation, Farm Credit Administration, Federal Crop Insurance Corporation, Farmers' Home Corporation, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or any division, officer, or employee thereof, or of any corporation organized under sections 1131-1134m of Title 12, or in which a Production Credit Corporation holds stock, or of any regional agricultural credit corporation established pursuant to law, or of the National Agricultural Credit Corporation, a Federal Home Loan Bank, the Federal Home Loan Bank Board, the Home Owners' Loan Corporation, a Federal Savings and Loan Association, a Federal land bank, a joint-stock land bank, a National farm loan association, or of a Federal Reserve bank, upon any application, advance, discount, purchase, purchase agreement, repurchase agreement, commitment, or loan, or any change or extension of any of the same, by renewal, deferment of action or otherwise, or the acceptance, release, or substitution of security therefor, shall be fined not more than \$5,000 or imprisoned not more than two years, or both. (18 U.S.C. 1014)

Whoever, while acting in any official capacity in the administration of any Act of Congress relating to crop insurance or to the Federal Crop Insurance Corporation speculates in any agricultural commodity or product thereof, to which such enactments apply, or in contracts relating thereto, or in the stock or membership interests of any association or corporation engaged in handling, processing, or disposing of any such commodity or product, shall be fined not more than \$10,000 or imprisoned not more than two years, or both. (18 U.S.C. 1903)

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